

EXHIBIT 6

**BEFORE THE
STATE CORPORATION COMMISSION
OF VIRGINIA**

| | | |
|--|---|---------------------------------|
| Application of |) | |
| |) | |
| Verizon Virginia Inc. |) | Case No. PUC-2007- <u>00008</u> |
| and |) | |
| Verizon South Inc. |) | |
| |) | |
| For a Determination that Retail Services Are |) | |
| Competitive and Deregulating and Detariffing |) | |
| of the Same |) | |

APPLICATION

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- 88 percent of households can choose cable modem service, 71 percent can choose fixed wireless broadband service, and 66 percent can choose Verizon broadband service, with each technology opening the door to VoIP, email, and instant messaging services to meet communications needs.
- 85 percent of households can choose service from a facilities-based traditional wireline provider other than Verizon.
- In all, 96 percent of households can choose two or more technological platforms as alternatives to Verizon's wireline service: 78 percent of households have at least four alternative platform options.

Moreover, residential and business customers are aware of these options and are taking advantage of them in ever increasing numbers:

- There are over 5 million wireless subscribers in Virginia.
- 18 percent of households with wireline and wireless phones consider their wireless phone to be their primary phone, and at least 6 percent of Virginia households have "cut the cord," disconnecting their wireline service altogether.
- One year ago, there were 1.3 million broadband subscribers, with cable modem service accounting for 60 percent of those lines and ADSL accounting for only 28 percent.
- There are over twice as many wireless and residential broadband lines combined as wireline residential lines.
- 33 percent of businesses and 24 percent of residential customers use a traditional wireline competitor other than Verizon.
- At least 50 unique competitors currently serve mass market customers in Verizon's service area.
- 67 percent of households served by Verizon have been approached by other local service providers in the previous twelve months or are aware of other local service providers.
- As a result of customer migration to these competitive alternatives, Verizon's residential access lines have dropped substantially since January 2004, as have its minutes of use.

These trends are not limited to Virginia's larger metropolitan areas. Virginia's smaller cities enjoy not only the ubiquitous availability of wireless services, but also

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| VERIZON VIRGINIA INC. and |) | Case No. PUC-2007-00008 |
| |) | |
| VERIZON SOUTH INC. |) | |
| |) | |
| For a Determination that Retail |) | |
| Services are Competitive and |) | |
| Deregulating and Detariffing of the Same |) | |

Direct Testimony of Trevor R. Roycroft, Ph.D.

**On Behalf of the Division of Consumer Counsel
Office of the Attorney General**

PUBLIC REDACTED VERSION

June 1, 2007

| Table 8. Factors Inhibiting Wireless Users from Cutting the Cord | |
|---|--|
| Factor | Percentage of Respondents Indicating Factor (Multiple Responses Allowed) |
| Wouldn't feel secure without a local phone line | 49% |
| Need the local phone line for Internet access | 37% |
| Cellular quality at home is not good enough | 33% |
| Using only a cell phone would be too costly | 25% |
| Other family members need the local phone line | 15% |
| Need the local phone line for my satellite or other TV service (TiVo) | 12% |
| Need the local phone line for my security system | 12% |

d. Cord Cutting Behavior is a Niche Market Outcome

Q: WHAT PORTION OF THE OVERALL POPULATION HAS CUT THE CORD AND GONE "WIRELESS ONLY"?

A: There is no question that a small subset of the population has "cut the cord," and relies on wireless service alone. Verizon indicates that about 6% of Virginia households have cut the cord.¹¹³ In addition, a fourth quarter 2006 report prepared by Verizon Market Research states:

(Begin Confidential) XXX
XX
XX
XX
XX (End

¹¹³ Verizon Application, p. 2. See also, Direct Testimony of Harold E. West, III, p. 7, lines 15-17.

1 **Confidential)**¹¹⁴

2

3 These Verizon reports are consistent with recent nationwide estimates of the number of wireless-
4 only households, which are in the 8% to 10% range. For example, the U.S. Consumer
5 Expenditure Survey found that about 7.8% of households were paying only a wireless bill during
6 the first quarter of 2005.¹¹⁵ A 2005 Harris Interactive survey of adults found that 9% no longer
7 have a wireline phone.¹¹⁶ A 2006 Forrester Research Report states that about 8% of wireless
8 users have no wireline telephone.¹¹⁷ A 2007 U.S. Center for Disease Control survey found about
9 13% of households nationwide were wireless only.¹¹⁸

10 **Q: ARE INDIVIDUALS WHO HAVE "CUT THE CORD" MORE LIKELY TO EXHIBIT**
11 **DISTINCT CHARACTERISTICS?**

12

13 **A:** Yes. As was the case with the automobile/motorcycle example discussed earlier, the fact that

¹¹⁴ Verizon Response to Consumer Counsel Third Set, Request No. 82. Confidential Attachment OAG 82.6.

¹¹⁵ "The Cell Phone Challenge to Survey Research," *The Pew Research Center For The People & The Press*, May 15, 2006, p. 2. Available at: <http://people-press.org/reports/display.php3?ReportID=276>

¹¹⁶ "Nearly One in Ten U.S. Adults Use Wireless Phones Exclusively and Landline displacement Expected to Grow," June 27, 2005. <http://www.harrisinteractive.com/news/allnewsbydate.asp?NewsID=943>

¹¹⁷ Forrester Research, "Cord Cutting Grows into the U.S. Mainstream," March 30, 2006. Available for purchase at: <http://www.forrester.com/Research/Document/Excerpt/0,7211,39170,00.html>

¹¹⁸ This CDC survey indicates that 15.8% of U.S. households do not have a wireline phone, and that 12.8% of households had wireless only. This data suggests higher overall subscription rates than the most recent Census Bureau reports, and may reflect smaller sample sizes associated with the CDC survey. The CDC survey results have shown, since 2003, about 2% of households without any telephone service. Census Bureau data in this period has shown between 4.5% and 7.2% of households without any telephone service (wireless and/or wireline). The CDC report is available at: <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless200705.pdf>